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Draft Contribution to EICRIS6

COMMUNIST CHINA'S 1956 TRADE AND THE TRANSPORT INVOLVED

V. Transport and Transport Services

C. Interior Transport Connections for Communist China's Foreign Trade

1. Interior Transport Connections Utilized During 1956

Railroads continued to be the most significant interior transport connections utilized in Communist China's international trade. More than [to be filled in later] percent of the total tonnage of international trade over interior routes crossed the border by rail in 1956. Rail service was available between Communist China and the USSR, North Korea, Kowloon (Hong Kong), and North Vietnam. Very little of China's foreign trade moved by road. In areas where no railroads were available, however, trade moved over roads, and in certain other areas roads were used as a minor complement to railroads which moved the bulk of the trade. Accordingly, small amounts of trade moved by road between China and North Korea, the USSR, Kowloon (Hong Kong), North Vietnam, Burma, and India. An important though relatively small amount of trade moved between China and the USSR by way of the Sungari River. Air transportation was significant in China's foreign trade only for priority shipments of relatively high-value, low volume strategic and essential materials, and for movement of key personnel. Although traffic by air did not represent a commercially significant tonnage during 1956, such service was available between China and the USSR, North Korea, North Vietnam, and Burma.

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2. Significant Developments During 1956

a. External and Internal Arrangements for Movement of Foreign Trade

All international rail shipments in the Sino-Soviet Bloc are governed by the Agreement on International Railroad Freight Traffic of 1954 (SMGS). Shipments between Sino-Soviet Bloc countries which must transit a third country are subject to the Uniform Transit Tariff (UTT) which supplements this agreement. Freight costs for rail shipments between neighboring SMGS countries are determined by the individual tariff agreements in effect between those countries. When freight must transit third countries, however, transport charges are determined by the UTT rates on the transit-country railroads. The rates prescribed by the UTT are, as a rule, lower than the rates which formerly applied to transit traffic in the SMGS countries.

A reduction of transit freight rates brought about concurrently with the inclusion of Communist China, Mongolia, and North Korea in the SMGS and the UTT in 1954 provided significant reductions in the cost of international overland trade to these countries. New UTT rates issued in January, 1956, lowered transport costs even further, although the changes were not great. Of the charges which China must pay on imports, reductions ranged from 11 to 33 percent on many of the important commodities which in the past few years have moved by rail. However, there were no changes whatsoever on many other items. Sizeable reductions in the UTT freight charges were also made on a number of

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commodities originated by China and destined for the European Satellites, but rates on rubber, silk, wool, tea and the principal grains were not reduced.

On many items in 1956 rates as published in the UTT were still running at from 110 to 160 dollars per metric ton on movements to China from East Germany and Czechoslovakia. The new rate on fertilizer, although only about 45 dollars per ton for a through movement, was more than twice the sea tariff, and apparently discounts were not customarily permitted for large bulk shipments. In contrast to Soviet internal tariffs, which provide special rates over regular long haul routes and which, on a kilometer basis, generally taper downward as the distance increases, the UTT is rigid. Thus the UTT must be working out to the benefit of the longer haul countries and to the detriment of those with short hauls, where loading, overhead and transfer costs cannot be absorbed by so many kilometers of movement. Both China and the European Satellites must feel that the tariff is working against them and in favor of the USSR.

b. Changes in Facilities for Movement of Foreign Trade

During 1956, few major changes occurred in the pattern of use or availability of interior transport routes connecting Communist China with her neighbors. The most notable change occurred in Sino-Soviet transport relations, as a result of the opening of the Trans-Mongolian railroad to through international traffic in January, 1956. Its availability made possible an appreciable increase in the capability of China to support foreign commerce with the USSR. Although there were reports of serious traffic congestion on sections of the Chinese railroad system during 1956

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there was no evidence that the relatively small tonnages associated with overland foreign trade contributed unduly to the congestion problems, nor was there evidence of congestion on the rail routes and facilities used principally for the movement of foreign trade.

(1) Railroads

(a) USSR

The appreciable increase in China's capability to move foreign trade between the USSR and China which accompanied the opening of the Trans-Mongolian railroad constituted the major development affecting Sino-Soviet transport connections in 1956. While basically completed before the end of 1955, the line was not opened for "through" international traffic until January, 1956. The Chinese Communists reported that on the Chining-Erhlien section of the line the volume of traffic increased substantially each month during 1956 following the opening of the line. Improvements continued to be made in facilities on the line in 1956 and there are indications that the cost of transport was substantially reduced, even though the condition of the newly-constructed roadbed has required that freight cars be lightly loaded. During 1956 Communist China continued to improve the lower capacity rail lines approaching Chining in order to take care of the increased amount of traffic flowing to and from the north. This work will no doubt be continued in 1957 if needed, as Chinese railway investment plans call for increased emphasis on rehabilitation and expansion of existing facilities rather than on new line construction.

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(b) North Vietnam

By early 1956 the transport system of North Vietnam, disorganized and severely damaged during the civil war, had been substantially restored and in some respects improved. The strategic railroad from Hanoi to the border town of Nam Quan (where it meets the Chinese line from Ping-hsiang), continued to carry the bulk of the traffic between the two countries, and facilitated the movement and distribution of increasing material aid from China. Capability of the Hanoi-Nam Quan line would be substantially increased if the line were converted from the present meter gauge to Chinese standard gauge. The use of Chinese equipment would then be possible as far south as Hanoi and would tend to offset any present limitation imposed by the small Viet Ninh locomotive and rolling stock park and by transloading problems. No information is available at present to indicate that actual conversion of the line to standard gauge was initiated during 1956 or early 1957.

Reopening of the railroad from Hanoi to Kunming in Yunnan will further enhance transport capability between North Vietnam and Communist China. Reconstruction of that portion of the line between Hanoi and Lao Kay in North Vietnam was completed in 1956 and that portion of the line was opened to traffic before the end of the year. On the Chinese side of the border reconstruction work continues, with the distant possibility existing that the connection with the North Vietnam system will be made before the end of 1957. Current reports indicate that the entire line will be meter gauge. Once the line is open to through traffic it will

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probably be of more importance to China than to North Vietnam. Restoration of the section between Lao Kay and Kunming will facilitate the exploitation of Southwest China's mineral resources, which can then be transshipped through Haiphong instead of being hauled long distances overland to consuming and export centers in China.

(2) Roads

Improvements in the capabilities of some of the roads connecting Communist China with neighboring countries occurred during 1956. In North Vietnam, main road links with China continued to receive considerable attention. In November, 1956, it was estimated that road connections between Hanoi and Communist China were capable of carrying 60 percent more traffic than in 1955. The importance of road connections to foreign commerce between China and North Vietnam, however, has not been so critical since the restoration of the Hanoi-Nam Quan railroad in February, 1955, and will be of even less importance after the opening of the entire Hanoi-Kunming railroad.

During 1956 the Burma Road remained the principal interior connection between Communist China and Burma for the transport of foreign trade. In addition, the Chinese continued to build new roads in the border area, so that most points along the frontier south of the Burma Road became accessible by road from China. In the past 2 years China imported annually moderate amounts of rice, rubber and cotton from Burma. During the same period China exported to Burma such commodities as textiles, cotton yarn, silk, knitted goods, and construction materials. Most of this trade moved by sea.

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(3) Inland Waterway

The use and capability of the Sungari River, the only significant waterway connection available for Communist China's foreign trade, remained unchanged during 1956. Here the river fleet transported cargoes of machinery and petroleum products moving from the USSR via the Amur River, and timber, soybeans, and coal moving toward the USSR. Approximately 1.3 million tons moved in domestic and international traffic on the Sungari in 1956. Only relatively insignificant amounts moved across the western border of Sinkiang province on the Irtys River.

(4) Air

Significant developments in air transport in 1956 included, in addition to international flights to Burma and North Vietnam, the establishment of a jet aircraft service (flown by Aeroflot, the Soviet carrier) from Paris to Peiping via Prague and Moscow.* Further expansion of civil air services between Communist China and adjacent areas is also anticipated. Negotiations have been going on between India and Communist China; Ceylon and Cambodia are seeking rights for their air carriers to fly to Canton; and there have been rumors of a Japanese Tokyo-Peiping-Moscow route. It is doubtful, however, that Sino-Soviet Bloc members will grant full reciprocal rights, which is believed to be the only condition acceptable to carriers of non-Bloc countries.

* Air France aircraft are used on the Paris-Prague portion of the route.

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